
A Study on Balanced Fund of Franklin India mutual fund

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Abstract: *The study has been made based on the secondary data and the study has been conducted on the performance of the balanced scheme of the Franklin India mutual fund to study the how balance has made in the mutual fund while fulfilling the objectives of the investors.*

Introduction

A mutual fund is a professionally-managed investment scheme, usually run by an asset management company that brings together a group of people and invests their money in stocks, bonds and other securities. It is a general belief that Mutual Fund is a retail product which is so designed for those who do not directly invest in share market because of its unpredictable and volatile nature, but fascinated by the growth and returns given by the same market. After the announcement of 1991's liberalisation policy the growth of Indian economy is miraculous and per capita income has also increased. During last two decades growth of upper middle and middle class in India is also fabulous and this is the group who due to increase in income has enormous and changing needs, is targeted by all most all mutual fund companies but it is seen that this mutual fund companies are not succeed enough to turn savings individual investors in their products.

Franklin India Balanced scheme mutual fund

The balance fund gives the growth and income for the investment such investment scheme gives the benefit of both return and growth. To beat the market the investors takes a very low risk for diversification. The most of diversification is based on debt equity mix. The fund is well diversified with 50 stocks.

Literature review

Woerheide (1982) conducted a study on "investor response to suggested criteria for mutual funds" in which he tested the effect of different factors. It was proved that factors like size of fund, effectiveness of marketing programe and past return of funds have great impact. Among these the effectiveness of marketing program has strong impact."

De Bondt and Thaler(1985) while investigating "the possible psychological basis for investor behavior, argue that mean reversion in stock prices is an evidence of investor over reaction where investors over emphasize recent firm performance in forming future expectations."

Bailard et al., (1986) model classifies investors according to two personality traits; level of confidence and the method of action. Level of confidence is reflected in how much an investor may worry about a certain course of action or decision. Investors may range from confident to anxious. Method of action is reflected in how methodical investors are, as well as how analytical and intuitive they are. This can range from careful to impetuous. Within these ranges, the model defines four personalities:

1. Individualist: Careful, confident and often takes a do-it-yourself approach
2. Adventurer: Volatile, entrepreneurial and strong-willed
3. Celebrity: Follower of the latest investment fad
4. Guardian: High risk averse and wealth preserver

Ferris and Chance (1987) examined “the fund selection ability of mutual fund

Analysis

Table 1: Showing the fund allocation over the years

Years	Fund	Percentage
1	10.13	15.45
3	13.75	21
5	17.11	26
7	12.54	19.12
10	12.04	18.36
Total	65.57	100

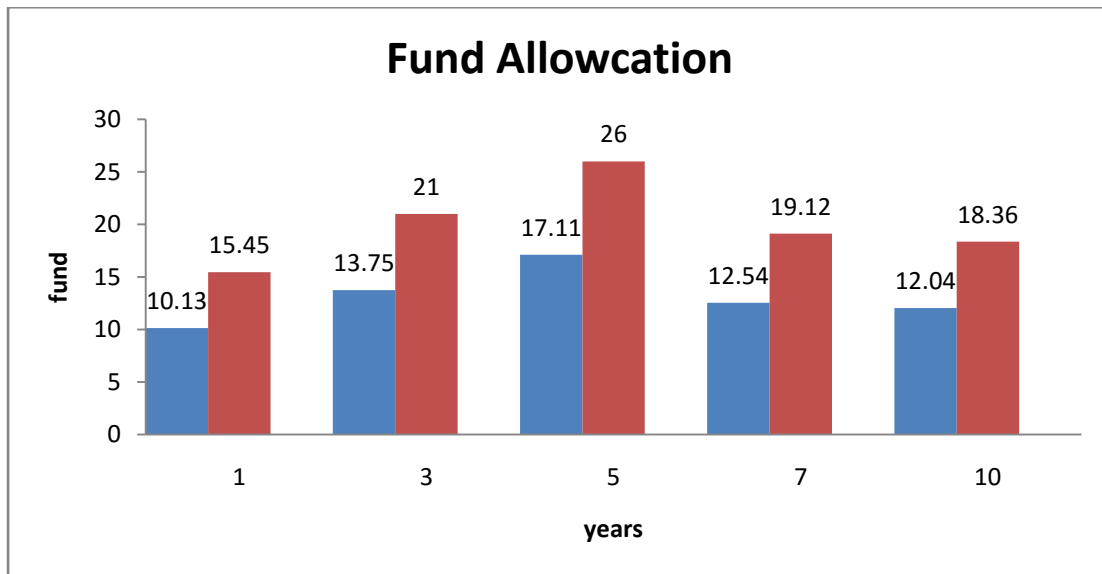
Chart 2: Showing the fund allocation over the years

investor and found that the investors’ decisions are based on short-term future performance and they use fund –specific information in their selection decision.”

Lee and Rahman (1989) examined market timing and selectivity performance of selected mutual funds. The data for the study consisted of monthly returns for 87 months during January 1977 to March 1984 for 93 mutual funds. They concluded that “at the individual level, there was some evidence of superior forecasting ability on the part of fund manager.” This result had an important implication in those funds with no forecasting skills might consider a totally passive management strategy and just provide a diversification service to their shareholders.

Objectives

1. To study the fund allocation in Franklin India Balance Scheme.
2. To study the bench mark of the schemes
3. To study the holdings of the mutual fund
4. To study sector of investment

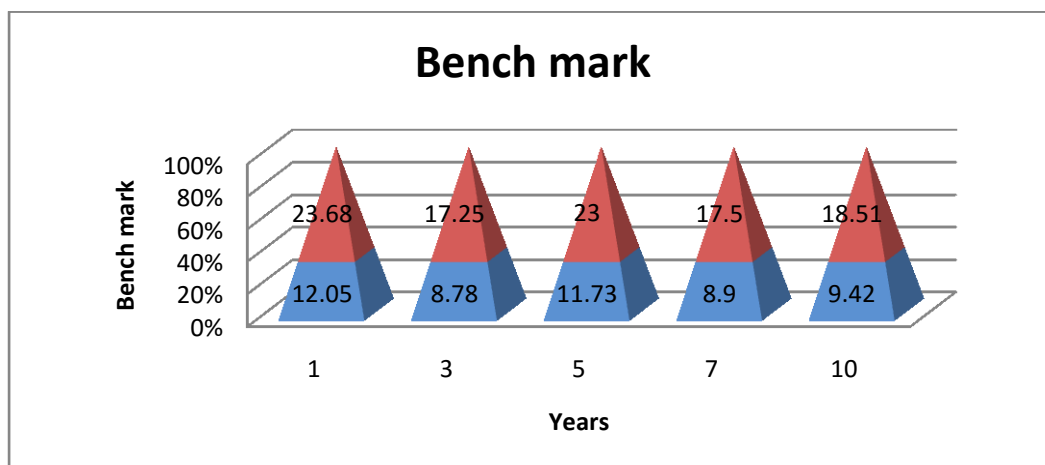


Interpretation: The company fund was not constant from year to year it was 18.61 in the first year and it was dropped in the 3 and 5 year and then onwards started increasing.

Table 2: Showing the bench mark of the mutual fund scheme

Year	Bench mark	Percentage
1	12.05	23.68
3	8.78	17.25
5	11.73	23
7	8.90	17.5
10	9.42	18.51
Total	50.88	100

Chart 2: Showing the bench mark of the mutual fund scheme

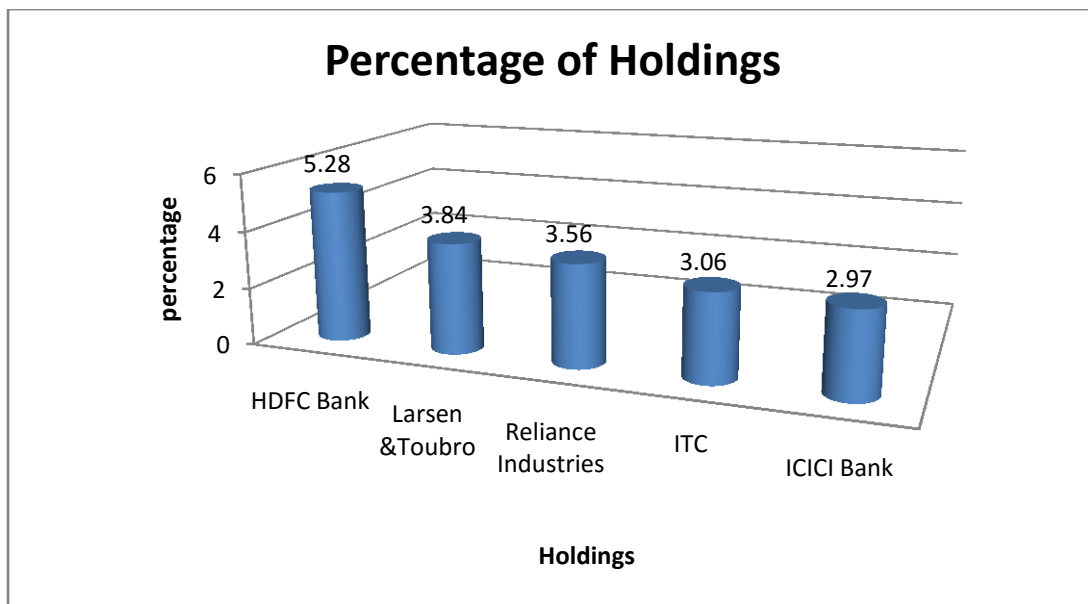


Interpretation: The bench mark will vary according to the investment made in the mutual fund schemes. The fund has different bench marks and in the 1 year it was 12.05 lakhs and it was decreased in the 3 year.

Table 3: Showing the fund holdings of mutual fund scheme.

Holdings	Percentage
HDFC Bank	5.28
Larsen and Toubro	3.84
Reliance Industries	3.56
ITC	3.06
ICICI Bank	2.07

Chart 3: Showing the fund holdings of mutual fund scheme.

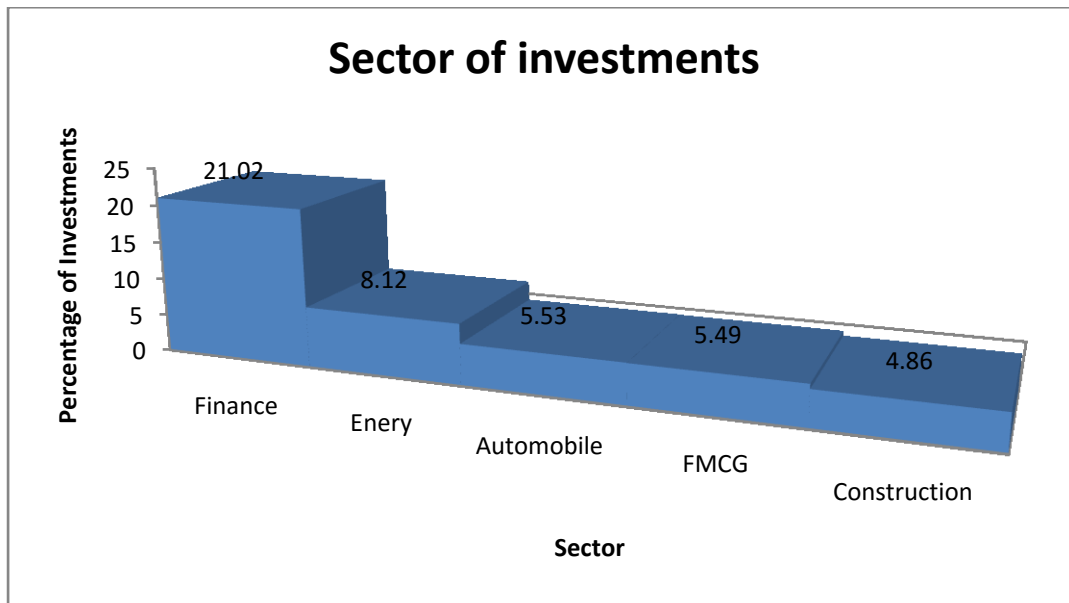


Interpretation: The Company holds the fund in five different companies it varies from Banking sectors to IT. The companies are diversifying for the purpose of balancing the funds of the investors there for the holdings are more in the banking sector and less in the other sector.

Table 4: Showing the sector of the investment

Sectors	Percentage of investments
Finance	21.02
Energy	8.12
Automobile	5.53
FMCG	5.49
Construction	4.86

Chart 4: Showing the sector of the investment



Interpretation: There are five sectors were selected to diversify the investment. There are more investments are made in the financial sector that is 21.02 and less in the construction sectors that is 4.86%.

Findings

1. The mutual fund scheme investment is not constant it vary from year to year.
2. The bench mark fixed by the company also vary from the year to the year
3. The more holding in the banking sector and less in the other sector.
4. Financial sector has the more percentage of investment than other sectors.

Suggestion

1. The company should see the investment in particular sector should increase year by years
2. The bench mark also should increase therefore the company can make scheme attractive.
3. The company also holding more in bank and less in the other sector to increase

the return to the investor it should see the alternative method.

4. The spectral rotation should be used to maximise the return.

Conclusion

The investment in mutual fund gives average return to the investors in this type of investment not only high net worth individual but also low and middle income people invest to get the future benefits. The Franklin India Balanced scheme mutual fund gives the benefits of both income and capital appreciation to the investor and the fund manner of the investor diversifies in such a manner the return will maximizes when compare to other investment like bank deposits and money market.

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